

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2014

Hardin County Table of Contents

| | <u>Page</u> |
|--|-----------------|
| Officials | 1 |
| Independent Auditors' Report | 2-3 |
| Management's Discussion and Analysis | 4-10 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Government-wide Financial Statements: | |
| Statement of Net Position | A 11 |
| Statement of Activities | B 12-13 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | C 14-17 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position | D 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E 19-20 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | F 21 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | G 22 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | H 23 |
| Statement of Cash Flows | I 24 |
| Fiduciary Fund Financial Statement: | |
| Statement of Fiduciary Assets and Liabilities – Agency Funds | J 25 |
| Notes to Financial Statements | 26-44 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds | 45-46 |
| Budget to GAAP Reconciliation | 47 |
| Notes to Required Supplementary Information – Budgetary Reporting | 48 |
| Schedule of Funding Progress for the Retiree Health Plan | 49 |
| Supplementary Information: | <u>Schedule</u> |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 1 50-51 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 52-53 |
| Agency Funds: | |
| Combining Schedule of Fiduciary Assets and Liabilities | 3 54-56 |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities | 4 57-60 |
| Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds | 5 61-62 |

Hardin County
Table of Contents (continued)

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 63-64 |
| Schedule of Findings | 65-69 |
| Audit Staff | 70 |

Hardin County Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---|----------------------|---------------------|
| Brian Lauterbauch | Board of Supervisors | January 2015 |
| Lance Granzow | Board of Supervisors | January 2015 |
| Ronn Rickels | Board of Supervisors | January 2017 |
| Renee McClellan (resigned August 2013) | County Auditor | January 2017 |
| Jessica Lara (appointed September 2013) | County Auditor | January 2017 |
| Machel Eichmeier | County Treasurer | January 2015 |
| Barbara Nuss | County Recorder | January 2015 |
| Dave McDaniel | County Sheriff | January 2017 |
| Randall Tilton | County Attorney | January 2015 |
| Don Knoell | County Assessor | January 2015 |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Officials of Hardin County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining

fund information of Hardin County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2014 on our consideration of Hardin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hardin County's internal control over financial reporting and on compliance.

Bowman and Miller, P.C.

December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.4%, or approximately \$1.7 million, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$554,000, operating grants and contributions decreased approximately \$738,000, capital grants and contributions increased approximately \$1.9 million and charges for service decreased approximately \$148,000.
- Program expenses of the County's governmental activities were 0.5%, or approximately \$80,000, less in fiscal year 2014 than in fiscal year 2013. Non-program expenses increased approximately \$262,000, county environment and education expenses decreased approximately \$93,000 and roads and transportation expenses decreased approximately \$586,000.
- The County's net position increased 9.9%, or approximately \$2,781,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Hardin County's combined net position increased from approximately \$28.2 million to approximately \$31 million. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|-----------|--------|
| | June 30, | |
| | 2014 | 2013 |
| Current and other assets | \$ 39,111 | 37,824 |
| Capital assets | 31,214 | 28,494 |
| Total assets | 70,325 | 66,318 |
| Long-term liabilities | 29,925 | 30,401 |
| Other liabilities | 1,760 | 801 |
| Total liabilities | 31,685 | 31,202 |
| Deferred inflows of resources | 7,667 | 6,923 |
| Net position: | | |
| Net investment in capital assets | 22,482 | 18,924 |
| Restricted | 7,005 | 7,657 |
| Unrestricted | 1,486 | 1,612 |
| Total net position | \$ 30,973 | 28,193 |

Net position of Hardin County's governmental activities increased 9.9% (approximately \$31 million compared to approximately \$28.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$1.6 million at June 30, 2013 to approximately \$1.5 million at the end of this year, a decrease of 7.8%.

| Changes in Net Position of Governmental Activities | | |
|--|---------------------|------------|
| | Year Ended June 30, | |
| | 2014 | 2013 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 2,289,673 | 2,437,916 |
| Operating grants, contributions, and restricted interest | 3,473,429 | 4,211,245 |
| Capital grants, contributions and restricted interest | 5,409,380 | 3,503,323 |
| General revenues: | | |
| Property tax | 7,068,002 | 6,514,272 |
| Interest and penalty on property tax | 57,643 | 58,821 |
| State tax credits | 331,240 | 311,635 |
| Local option sales tax | 677,656 | 638,592 |
| Grants not restricted to specific purposes | 4,212 | 30,257 |
| Unrestricted investment earnings | 122,178 | 94,053 |
| Other general revenues | 123,690 | 78,514 |
| Total revenues | 19,557,103 | 17,878,628 |
| Program expenses: | | |
| Public safety and legal services | 3,727,024 | 3,684,535 |
| Physical health and social services | 278,194 | 163,569 |
| Mental health | 720,291 | 749,026 |
| County environment and education | 939,561 | 1,032,836 |
| Roads and transportation | 6,545,035 | 7,131,343 |
| Governmental services to residents | 513,308 | 480,520 |
| Administration | 1,885,477 | 1,834,738 |
| Non-program | 1,297,907 | 1,035,535 |
| Interest on long-term debt | 869,563 | 744,456 |
| Total expenses | 16,776,360 | 16,856,558 |
| Change in net position | 2,780,743 | 1,022,070 |
| Net position beginning of year | 28,192,708 | 27,170,638 |
| Net position end of year | \$ 30,973,451 | 28,192,708 |

Hardin County's net position of governmental activities increased approximately \$2.78 million during the year. Total revenues increased approximately \$1.7 million over the prior year, with property tax revenue up from the prior year approximately \$554,000 or 8.5%. Capital grants, contributions and restricted interest increased due to the receipt of \$714,000 in state grant money and \$721,000 from the Heritage Foundation for the Hardin/Marshall County trail. The total cost of all programs and services decreased by 0.5% or approximately \$80,000.

The cost of all governmental activities this year was approximately \$16.8 million compared to approximately \$16.9 million last year. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities was approximately \$5.6 million because some of the cost was paid by those who directly benefited from the programs (approximately \$2.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$8.9 million).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2014 from approximately \$10,152,000 to approximately \$11,172,000. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$5.6 million) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$8.7 million, a decrease of approximately \$638,000 below last year's total of approximately \$9.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$2.2 million and expenditures increased approximately \$1.6 million when compared to the prior year. The ending fund balance showed a modest increase of approximately \$55,000 from the prior year to approximately \$3,383,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. In July 2012 the County joined the County Social Services Agency. This Agency is a 17 county member agency established to help consolidate mental health services and costs. For the year, expenditures totaled approximately \$394,000, a decrease of 47.4% from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$208,000 from the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$475,000 due to decreases in federal bridge replacement funds received in 2014. Expenditures increased approximately \$180,000 due principally to an increase in roadway maintenance. This increase in expenditures and decrease in revenues resulted in a decrease in the Special Revenue, Secondary Roads Fund ending balance of approximately \$248,000.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund balance decreased approximately \$450,000. The County paid for various projects including new boilers at the jail and land improvements for the Garden Wind Farm.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget two times. The first amendment was made on October 23, 2013 and resulted in an increase in budgeted disbursements related to capital projects and administration. The second budget amendment was made on April 23, 2014. This amendment was made to increase expenditures related to capital projects and nonprogram expenses related to the Hardin/Marshall County Trail.

The County's receipts were \$1,245,902 more than budgeted, a variance of 8.3%.

Total disbursements were \$409,102 less than the amended budget. Actual disbursements for the public safety and legal services, mental health and roads and transportation were \$248,034, \$193,339 and \$148,220, respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2014. The County did not budget for the revenue and expenditures related to the hospital bond issue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Hardin County had approximately \$60 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$4.3 million or 7.8% over last year.

| Capital Assets of Governmental Activities at Year End (Expressed in Thousands) | | |
|---|-----------|--------|
| | June 30, | |
| | 2014 | 2013 |
| Land | \$ 2,600 | 1,627 |
| Construction in progress | - | 173 |
| Buildings and improvements | 11,846 | 11,744 |
| Machinery and equipment | 9,462 | 8,767 |
| Infrastructure | 36,232 | 33,481 |
| Total | \$ 60,140 | 55,792 |

This year's major additions included (in thousands):

| | | |
|---|----|-------|
| Capital assets contributed by the Iowa Department of Transportation | \$ | 2,440 |
| Secondary road equipment | | 213 |
| Hardin/Marshall County trail | | 715 |
| Garden wind farm land improvements | | 258 |
| Jail improvements | | 102 |
| Sheriff's vehicles | | 115 |
| Roadway construction and maintenance | | 138 |
| Total | \$ | 3,981 |

The County had depreciation expense of \$1,924,912 in fiscal year 2014 and total accumulated depreciation of \$28,925,849 at June 30, 2014.

The County's fiscal year 2014 capital budget included \$821,176 for capital projects, principally for the construction of a new wind farm and jail improvements. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2014, the County had approximately \$29,133,000 in general obligation bonds and other debt outstanding compared to approximately \$29,712,000 at June 30, 2013, as shown below.

| Outstanding Debt of Governmental Activities at Year End | | |
|---|---------------|------------|
| | June 30, | |
| | 2014 | 2013 |
| General obligation bonds | \$ 27,910,000 | 28,665,000 |
| Capital lease purchase agreements | 557,942 | 130,782 |
| Drainage warrants | 664,742 | 915,858 |
| | \$ 29,132,684 | 29,711,640 |

Debt decreased as a result of annual payments on the general obligation bonds.

The County continues to carry a general obligation bond rating of A1 assigned by national rating agencies to the County's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$71 million. More detailed information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the fiscal year 2015 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County increased tax levy rates in fiscal year 2015 to help offset the anticipated decrease in total assessed valuations. The overall economy is improving. Future growth in property tax may come from proposed electric utility lines through the County.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. There will be a need for additional funding to furnish the inside of the new emergency operations center.

The County has no major capital improvement plans for fiscal year 2015 and will continue to monitor the amount of debt that it has issued.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa, 50627.

Hardin County
Statement of Net Position
June 30, 2014

Exhibit A

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 9,923,988 |
| Receivables: | |
| Property tax: | |
| Delinquent | 34,262 |
| Succeeding year | 7,667,439 |
| Interest and penalty on property tax | 137,009 |
| Accounts | 11,981 |
| Accrued interest | 7,548 |
| Drainage assessments | 334,625 |
| Bond | 20,000,000 |
| Due from other governments | 537,044 |
| Inventories | 457,232 |
| Capital assets, net of accumulated depreciation | 31,214,604 |
| Total assets | <u>70,325,732</u> |
| Liabilities | |
| Accounts payable | 1,559,027 |
| Accrued interest payable | 96,121 |
| Salaries and benefits payable | 91,652 |
| Due to other governments | 12,658 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital lease purchase agreements | 91,138 |
| General obligation bonds | 1,665,000 |
| Compensated absences | 341,103 |
| Portion due or payable after one year: | |
| Capital lease purchase agreements | 466,804 |
| General obligation bonds | 26,245,000 |
| Drainage warrants/drainage improvement certificates | 664,742 |
| Net OPEB liability | 451,597 |
| Total liabilities | <u>31,684,842</u> |
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | <u>7,667,439</u> |
| Net Position | |
| Net investment in capital assets | 22,481,892 |
| Restricted for: | |
| Supplemental levy purposes | 725,088 |
| Mental health purposes | 994,819 |
| Rural services purposes | 901,152 |
| Secondary roads purposes | 1,100,694 |
| Capital projects | 848,053 |
| Other purposes | 2,435,252 |
| Unrestricted | 1,486,501 |
| Total net position | <u>\$ 30,973,451</u> |

See notes to financial statements.

Hardin County
Statement of Activities
Year ended June 30, 2014

| | | Program Revenues | | |
|-------------------------------------|---------------|------------------|---|---|
| | | Charges for | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | Expenses | Service | | |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety and legal services | \$ 3,727,024 | 1,375,641 | - | - |
| Physical health and social services | 278,194 | - | 94,386 | - |
| Mental health | 720,291 | 320,021 | 68,068 | - |
| County environment and education | 939,561 | 60,425 | 32,810 | 1,468,051 |
| Roads and transportation | 6,545,035 | 176,740 | 3,205,436 | 2,480,757 |
| Governmental services to residents | 513,308 | 334,590 | 213 | - |
| Administration | 1,885,477 | 22,256 | 72,516 | 571,770 |
| Non-program | 1,297,907 | - | - | 888,802 |
| Interest on long-term debt | 869,563 | - | - | - |
| Total | \$ 16,776,360 | 2,289,673 | 3,473,429 | 5,409,380 |

General Revenues:

Property and other county tax levied for:

- General purposes
- Debt service
- Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Grants not restricted to specific purposes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

| <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Position</u> | |
|--|--------------------|
| | (2,351,383) |
| | (183,808) |
| | (332,202) |
| | 621,725 |
| | (682,102) |
| | (178,505) |
| | (1,218,935) |
| | (409,105) |
| | <u>(869,563)</u> |
| | <u>(5,603,878)</u> |
| | 6,213,059 |
| | 397,768 |
| | 457,175 |
| | 57,643 |
| | 331,240 |
| | 677,656 |
| | 4,212 |
| | 122,178 |
| | <u>123,690</u> |
| | <u>8,384,621</u> |
| | 2,780,743 |
| | <u>28,192,708</u> |
| <u>\$</u> | <u>30,973,451</u> |

Hardin County
Balance Sheet
Governmental Funds
June 30, 2014

| | | Special Revenue | | |
|---|---------------------|------------------|------------------|------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 4,035,278 | 1,048,324 | 828,125 | 1,119,592 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 21,471 | 3,864 | 6,362 | - |
| Succeeding year | 4,545,748 | 818,039 | 1,721,800 | - |
| Interest and penalty on property tax | 137,009 | - | - | - |
| Accounts | 500 | - | - | 11,481 |
| Accrued interest | 7,548 | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other governments | 182,615 | - | 80,060 | 247,682 |
| Inventories | - | - | - | 457,232 |
| Total assets | \$ 8,930,169 | 1,870,227 | 2,636,347 | 1,835,987 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 800,618 | 20,864 | 5,886 | 564,060 |
| Salaries and benefits payable | 39,720 | 1,228 | 1,245 | 49,459 |
| Due to other governments | 3,547 | 1,280 | - | 7,831 |
| Total liabilities | 843,885 | 23,372 | 7,131 | 621,350 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 4,545,748 | 818,039 | 1,721,800 | - |
| Other | 157,168 | 3,693 | 6,264 | - |
| Total deferred inflows of resources | 4,702,916 | 821,732 | 1,728,064 | |

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|-----------|------------|
| 61,499 | 834,423 | 1,218,215 | 9,145,456 |
| 2,565 | - | - | 34,262 |
| 581,852 | - | - | 7,667,439 |
| - | - | - | 137,009 |
| - | - | - | 11,981 |
| - | - | - | 7,548 |
| - | - | 334,625 | 334,625 |
| - | 26,687 | - | 537,044 |
| - | - | - | 457,232 |
| 645,916 | 861,110 | 1,552,840 | 18,332,596 |
| - | 13,057 | - | 1,404,485 |
| - | - | - | 91,652 |
| - | - | - | 12,658 |
| - | 13,057 | - | 1,508,795 |
| 581,852 | - | - | 7,667,439 |
| 2,456 | - | 320,863 | 490,444 |
| 584,308 | - | 320,863 | 8,157,883 |

Hardin County
Balance Sheet (Continued)
Governmental Funds
June 30, 2014

| | General | Special Revenue | | |
|---|--------------|-----------------|----------------|-----------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | \$ - | - | - | 457,232 |
| Restricted for: | | | | |
| Supplemental levy purposes | 725,088 | - | - | - |
| Mental health purposes | - | 1,025,123 | - | - |
| Rural services purposes | - | - | 901,152 | - |
| Secondary road purposes | - | - | - | 757,405 |
| Conservation land acquisition | 1,979 | - | - | - |
| Drainage district purposes | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Cemetery levy | 2,293 | - | - | - |
| Other purposes | - | - | - | - |
| Assigned for conservation resources | 813,700 | - | - | - |
| Unassigned | 1,840,308 | - | - | - |
| Total fund balances | 3,383,368 | 1,025,123 | 901,152 | 1,214,637 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 8,930,169 | 1,870,227 | 2,636,347 | 1,835,987 |

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|-----------|------------|
| - | - | - | 457,232 |
| - | - | - | 725,088 |
| - | - | - | 1,025,123 |
| - | - | - | 901,152 |
| - | - | - | 757,405 |
| - | - | - | 1,979 |
| - | - | 249,948 | 249,948 |
| 61,608 | - | - | 61,608 |
| - | 848,053 | - | 848,053 |
| - | - | - | 2,293 |
| - | - | 982,029 | 982,029 |
| - | - | - | 813,700 |
| - | - | - | 1,840,308 |
| 61,608 | 848,053 | 1,231,977 | 8,665,918 |
| 645,916 | 861,110 | 1,552,840 | 18,332,596 |

Hardin County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2014

Exhibit D

Total governmental fund balances (page 17) **\$ 8,665,918**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$60,140,453 and the accumulated depreciation is \$28,925,849. 31,214,604

Bond receivable is not due and receivable in the current year and, therefore, is not reported in the governmental funds. 20,000,000

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 490,444

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position. 623,989

Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences payable, accrued interest payable, other post employment benefits and drainage warrants/drainage improvement certificates payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (30,021,504)

Net position of governmental activities (page 11) **\$ 30,973,451**

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

| | General | Special Revenue | | |
|--|--------------|-----------------|----------------|-----------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 4,446,584 | 160,301 | 1,606,401 | - |
| Local option sales tax | - | - | 508,242 | - |
| Interest and penalty on property tax | 49,496 | - | - | - |
| Intergovernmental | 3,519,437 | 24,110 | 72,855 | 3,246,213 |
| Licenses and permits | 2,200 | - | - | 3,630 |
| Charges for service | 475,265 | - | - | - |
| Use of money and property | 199,133 | - | - | - |
| Miscellaneous | 84,547 | 878 | - | 173,110 |
| Total revenues | 8,776,662 | 185,289 | 2,187,498 | 3,422,953 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 3,447,898 | - | 108,372 | - |
| Physical health and social services | 274,436 | - | - | - |
| Mental health | 315,878 | 393,558 | - | - |
| County environment and education | 625,293 | - | 259,961 | - |
| Roads and transportation | - | - | 132,524 | 5,781,064 |
| Governmental services to residents | 484,581 | - | 1,319 | - |
| Administration | 1,702,132 | - | 28,445 | - |
| Non-program | 1,498,651 | - | 44,067 | - |
| Debt service | - | - | - | - |
| Capital projects | 16,105 | - | - | 93,623 |
| Total expenditures | 8,364,974 | 393,558 | 574,688 | 5,874,687 |
| Excess (deficiency) of revenues over (under) expenditures | 411,688 | (208,269) | 1,612,810 | (2,451,734) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 12,700 | - | - | - |
| Operating transfers in | - | - | - | 1,596,603 |
| Operating transfers out | (369,645) | - | (1,596,603) | - |
| Capital lease purchase agreements | - | - | - | 607,317 |
| Drainage warrants/drainage improvement certificates issued | - | - | - | - |
| Total other financing sources (uses) | (356,945) | - | (1,596,603) | 2,203,920 |
| Change in fund balances | 54,743 | (208,269) | 16,207 | (247,814) |
| Fund balances beginning of year | 3,328,625 | 1,233,392 | 884,945 | 1,462,451 |
| Fund balances end of year | \$ 3,383,368 | 1,025,123 | 901,152 | 1,214,637 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|-----------|-------------|
| 397,209 | - | 457,175 | 7,067,670 |
| - | 169,414 | - | 677,656 |
| - | - | - | 49,496 |
| 19,590 | - | 15,407 | 6,897,612 |
| - | - | - | 5,830 |
| - | - | 3,374 | 478,639 |
| - | 1,466 | 541 | 201,140 |
| 570,304 | 260 | 66,452 | 895,551 |
| 987,103 | 171,140 | 542,949 | 16,273,594 |
| - | - | - | 3,556,270 |
| - | - | - | 274,436 |
| - | - | - | 709,436 |
| - | - | 3,834 | 889,088 |
| - | - | - | 5,913,588 |
| - | - | - | 485,900 |
| - | - | - | 1,730,577 |
| - | - | 378,186 | 1,920,904 |
| 1,394,109 | - | 227,653 | 1,621,762 |
| - | 621,373 | - | 731,101 |
| 1,394,109 | 621,373 | 609,673 | 17,833,062 |
| (407,006) | (450,233) | (66,724) | (1,559,468) |
| - | - | - | 12,700 |
| 359,845 | - | 9,800 | 1,966,248 |
| - | - | - | (1,966,248) |
| - | - | - | 607,317 |
| - | - | 301,013 | 301,013 |
| 359,845 | - | 310,813 | 921,030 |
| (47,161) | (450,233) | 244,089 | (638,438) |
| 108,769 | 1,298,286 | 987,888 | 9,304,356 |
| 61,608 | 848,053 | 1,231,977 | 8,665,918 |

Hardin County

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year ended June 30, 2014

Net change in fund balances - Total governmental funds (page 20) **\$ (638,438)**

*Amounts reported for governmental activities in the Statement of Activities
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 2,205,107 | |
| Capital assets contributed by the Iowa Department of Transportation | 2,439,980 | |
| Depreciation expense | <u>(1,924,912)</u> | 2,720,175 |

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

| | | |
|--------------|----------------|---------|
| Property tax | 8,479 | |
| Other | <u>270,221</u> | 278,700 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

| | | |
|--------|------------------|---------|
| Issued | (607,317) | |
| Repaid | <u>1,186,273</u> | 578,956 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------------|-----------|
| Compensated absences | (8,665) | |
| Other postemployment benefits | (94,660) | |
| Interest on long-term debt | <u>(2,801)</u> | (106,126) |

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(52,524)

Change in net position of governmental activities (page 13) **\$ 2,780,743**

Hardin County
Statement of Net Position
Proprietary Fund
June 30, 2014

Exhibit G

| | |
|----------------------------|---|
| | <u>Internal Service - Employee Group Health</u> |
| Current Assets | |
| Cash and cash equivalents | \$ 778,531 |
| Current Liabilities | |
| Accounts payable | <u>154,542</u> |
| Net Position | |
| Unrestricted | <u><u>\$ 623,989</u></u> |

Hardin County
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2014

Exhibit H

| | | <u>Internal Service - Employee Group Health</u> |
|--|---------------|---|
| Operating revenues: | | |
| Reimbursements from operating funds | | \$ 1,284,817 |
| Reimbursements from employees and others | | 558,932 |
| Insurance reimbursements | | <u>43,207</u> |
| Total operating revenues | | 1,886,956 |
| Operating expenses: | | |
| Medical claims | \$ 1,487,306 | |
| Insurance premiums | 341,245 | |
| Administrative fees | 88,490 | |
| Miscellaneous | <u>25,113</u> | <u>1,942,154</u> |
| Operating loss | | (55,198) |
| Non-operating revenue: | | |
| Interest income | | <u>2,674</u> |
| Net loss | | (52,524) |
| Net position beginning of year | | <u>676,513</u> |
| Net position end of year | | <u><u>\$ 623,989</u></u> |

Hardin County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

Exhibit I

| | |
|---|---|
| | <u>Internal Service - Employee Group Health</u> |
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 1,284,817 |
| Cash received from employees and others | 602,139 |
| Cash payments to suppliers for services | <u>(1,912,713)</u> |
| Net cash used by operating activities | (25,757) |
| Cash flows from investing activities: | |
| Interest on investments | <u>2,674</u> |
| Net decrease in cash and cash equivalents | (23,083) |
| Cash and cash equivalents beginning of year | <u>801,614</u> |
| Cash and cash equivalents end of year | <u><u>\$ 778,531</u></u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (55,198) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Increase in accounts payable | <u>29,441</u> |
| Net cash used by operating activities | <u><u>\$ (25,757)</u></u> |

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Exhibit J

Assets

Cash, cash equivalents and pooled investments:

| | |
|------------------------|--------------|
| County Treasurer | \$ 1,451,912 |
| Other County officials | 153,589 |

Receivables:

Property tax receivable:

| | |
|-----------------|------------|
| Delinquent | 98,955 |
| Succeeding year | 18,598,007 |

| | |
|----------|--------|
| Accounts | 20,657 |
|----------|--------|

| | |
|----------------------------|--------|
| Due from other governments | 45,183 |
|----------------------------|--------|

| | |
|---------------------|-------------------|
| Total assets | <u>20,368,303</u> |
|---------------------|-------------------|

Liabilities

| | |
|------------------|-------|
| Accounts payable | 7,297 |
|------------------|-------|

| | |
|--------------------------|------------|
| Due to other governments | 20,193,548 |
|--------------------------|------------|

| | |
|----------------|---------|
| Trusts payable | 150,930 |
|----------------|---------|

| | |
|----------------------|--------|
| Compensated absences | 16,528 |
|----------------------|--------|

| | |
|--------------------------|-------------------|
| Total liabilities | <u>20,368,303</u> |
|--------------------------|-------------------|

Net position

| | |
|--|-------------|
| | <u>\$ -</u> |
|--|-------------|

Hardin County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred seventy-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Heartland Risk Pool Insurance, Hardin County Solid Waste Commission, Rural Iowa Waste Management Association, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission, Central Iowa Juvenile Detention Center and Iowa River Valley Early Childhood Area.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Cash – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Bond Receivable – Bond receivable represents amounts due from the Ellsworth Municipal Hospital for payment on the general obligation bonds issued by the County.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Hardin County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|----------|
| Infrastructure | \$50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------|---|
| Buildings | 30-50 |
| Building improvements | 20-50 |
| Infrastructure | 12-65 |
| Equipment | 5-10 |
| Vehicles | 5-10 |

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

Hardin County
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,705 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The County places no limit on the amount which may be invested in any one issuer.

Hardin County Notes to Financial Statements June 30, 2014

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------------------------|------------------------------------|---------------------|
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | \$ 1,596,603 |
| Special Revenue: Carbo Tech TIF | General | 9,800 |
| Debt Service | General | 359,845 |
| Total | | <u>\$ 1,966,248</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$451,537, \$439,784 and \$408,081, respectively, equal to the required contributions for each year.

Hardin County

Notes to Financial Statements

June 30, 2014

(5) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 99 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription benefits are provided through a partially self-funded medical plan administered by Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | |
|--|--------------------------|
| Annual required contribution | \$ 129,826 |
| Interest on net OPEB obligation | 16,062 |
| Adjustment to annual required contribution | <u>(21,913)</u> |
| Annual OPEB cost | 123,975 |
| Contributions made | <u>(29,315)</u> |
| Increase in net OPEB obligation | 94,660 |
| Net OPEB obligation beginning of year | <u>356,937</u> |
| Net OPEB obligation end of year | <u><u>\$ 451,597</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ending June 30, 2014, plan members eligible for benefits contributed \$29,315, or 100%, of the premium costs.

Hardin County

Notes to Financial Statements

June 30, 2014

(5) Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

| Year ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2010 | \$ 115,018 | 17% | \$ 94,941 |
| 2011 | 112,822 | 30% | 173,476 |
| 2012 | 116,172 | 31% | 253,282 |
| 2013 | 129,826 | 17% | 356,937 |
| 2014 | 123,975 | 24% | 451,597 |

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,206,456, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,206,456. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,115,109 and the ratio of the UAAL to covered payroll was 29%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities

Hardin County
Notes to Financial Statements
June 30, 2014

(5) Other Postemployment Benefits (OPEB) (continued)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$513 per month for retirees and \$976 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| Fund | Description | Amount |
|------------------------------|-------------|----------------------|
| General | Services | \$ 3,547 |
| Special Revenue: | | |
| Secondary Roads | Services | 7,831 |
| Mental Health | Services | 1,280 |
| | | <u>9,111</u> |
| Total for governmental funds | | <u>\$ 12,658</u> |
| Agency: | | |
| County Assessor | Collections | \$ 244,540 |
| Schools | | 11,163,601 |
| Community Colleges | | 1,482,314 |
| Corporations | | 5,494,747 |
| Townships | | 408,520 |
| Auto License and Use Tax | | 420,660 |
| E911 Surcharge | | 520,270 |
| All other | | <u>458,896</u> |
| Total for agency funds | | <u>\$ 20,193,548</u> |

Hardin County
Notes to Financial Statements
June 30, 2014

(7) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,626,958 | 972,832 | - | 2,599,790 |
| Construction in progress | 172,982 | - | 172,982 | - |
| Total capital assets not being depreciated | 1,799,940 | 972,832 | 172,982 | 2,599,790 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 11,744,448 | 101,779 | - | 11,846,227 |
| Equipment and vehicles | 8,766,650 | 1,008,725 | 312,833 | 9,462,542 |
| Infrastructure, road network | 33,480,869 | 2,751,025 | - | 36,231,894 |
| Total capital assets being depreciated | 53,991,967 | 3,861,529 | 312,833 | 57,540,663 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,302,425 | 273,000 | - | 3,575,425 |
| Equipment and vehicles | 5,510,515 | 564,971 | 296,541 | 5,778,945 |
| Infrastructure, road network | 18,484,538 | 1,086,941 | - | 19,571,479 |
| Total accumulated depreciation | 27,297,478 | 1,924,912 | 296,541 | 28,925,849 |
| Total capital assets being depreciated, net | 26,694,489 | 1,936,617 | 16,292 | 28,614,814 |
| Governmental activities capital assets, net | \$ 28,494,429 | 2,909,449 | 189,274 | 31,214,604 |

Depreciation expense was charged to the following functions:

| | |
|--|--------------|
| Governmental activities: | |
| Public safety and legal services | \$ 277,309 |
| Physical health and social services | 4,013 |
| Mental health | 3,646 |
| County environment and education | 47,729 |
| Roads and transportation | 1,461,853 |
| Governmental services to residents | 888 |
| Administration | 129,474 |
| Total depreciation expense - governmental activities | \$ 1,924,912 |

Hardin County
Notes to Financial Statements
June 30, 2014

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

| | General Obligation Bonds | Capital Lease Purchase Agreements | Compensated Absences | Drainage Warrants/ Drainage Improvement Certificates | Net OPEB Liability | Total |
|---------------------------|--------------------------------|--|-------------------------|--|--------------------------|------------|
| Balance beginning of year | \$ 28,665,000 | 130,782 | 332,438 | 915,858 | 356,937 | 30,401,015 |
| Increases | - | 607,317 | 9,171 | 301,013 | 94,660 | 1,012,161 |
| Decreases | 755,000 | 180,157 | 506 | 552,129 | - | 1,487,792 |
| Balance end of year | \$ 27,910,000 | 557,942 | 341,103 | 664,742 | 451,597 | 29,925,384 |
| Due within one year | \$ 1,665,000 | 91,138 | 341,103 | - | - | 2,097,241 |

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease sheriff vehicles and motor graders for the secondary road department with historical costs of \$86,451 and \$607,317 respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.95% to 6% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

| Year ending June 30, | Motor Graders | Sheriff Vehicles | Total |
|--|------------------|---------------------|---------|
| 2015 | \$ 78,158 | 30,512 | 108,670 |
| 2016 | 480,750 | - | 480,750 |
| Total minimum lease payments | 558,908 | 30,512 | 589,420 |
| Less amount representing interest | 29,751 | 1,727 | 31,478 |
| Present value of net minimum lease payments | \$ 529,157 | 28,785 | 557,942 |

Payments under capital lease purchase agreements totaled \$180,157 for the year ended June 30, 2014.

Hardin County
Notes to Financial Statements
June 30, 2014

(8) Long-Term Liabilities (continued)

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

Bonds Payable

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

| Year Ending June 30, | Interest Rates | | Principal | Interest | Total |
|-------------------------|-------------------|----|------------|-----------|------------|
| 2015 | 1.05 - 3.63 % | \$ | 1,665,000 | 802,169 | 2,467,169 |
| 2016 | 1.35 - 3.75 | | 1,725,000 | 760,973 | 2,485,973 |
| 2017 | 1.70 - 4.00 | | 1,775,000 | 715,984 | 2,490,984 |
| 2018 | 1.95 - 4.00 | | 1,815,000 | 667,866 | 2,482,866 |
| 2019 | 1.95 - 4.00 | | 1,465,000 | 617,878 | 2,082,878 |
| 2020-2024 | 1.95 - 4.00 | | 7,880,000 | 2,505,286 | 10,385,286 |
| 2025-2029 | 3.00 - 4.00 | | 7,500,000 | 1,371,210 | 8,871,210 |
| 2030-2032 | 3.25 - 4.00 | | 4,085,000 | 268,288 | 4,353,288 |
| Total | | \$ | 27,910,000 | 7,709,654 | 35,619,654 |

During the year ended June 30, 2014, the County retired \$755,000 of general obligation bonds.

Hardin County
Notes to Financial Statements
June 30, 2014

(9) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating fund. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$1,284,817.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$154,542, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$623,989 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

| | |
|---|--------------------------|
| Unpaid claims beginning of year | \$ 125,101 |
| Incurred claims (including claims incurred but not reported at June 30, 2014) | 1,487,306 |
| Payments: | |
| Payments on claims during the fiscal year | <u>1,457,865</u> |
| Unpaid claims end of year | <u><u>\$ 154,542</u></u> |

Hardin County

Notes to Financial Statements

June 30, 2014

(10) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a postage machines through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on various dates through December 2016. The following is a schedule by year of the total annual lease costs required under the operating leases.

| Year ending June 30, | Annual Rent Due |
|-------------------------|-----------------------|
| 2015 | \$ 15,474 |
| 2016 | 8,244 |
| 2017 | 4,122 |
| 2018 | - |
| 2019 | - |
| Total | <u>\$ 27,840</u> |

The total annual lease costs for the year ended June 30, 2014 were \$18,834.

(11) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating fund at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2014, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

Hardin County
Notes to Financial Statements
June 30, 2014

(11) Risk Management (continued)

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2014, 2013 and 2012, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$435,615.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(13) Subsequent Event

Management has evaluated subsequent events through December 31, 2014, the date on which the financial statements were available to be issued.

Required Supplementary Information

Hardin County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2014

| | Actual | Less Funds not Required to be Budgeted |
|--|----------------------------|---|
| Receipts: | | |
| Property and other county tax | \$ 7,741,764 | - |
| Interest and penalty on property tax | 53,822 | - |
| Intergovernmental | 6,991,040 | - |
| Licenses and permits | 6,120 | - |
| Charges for service | 478,984 | - |
| Use of money and property | 199,195 | - |
| Miscellaneous | 895,736 | 66,452 |
| Total receipts | <u>16,366,661</u> | <u>66,452</u> |
| Disbursements: | | |
| Public safety and legal services | 3,586,321 | - |
| Physical health and social services | 246,727 | - |
| Mental health | 711,605 | - |
| County environment and education | 890,922 | - |
| Roads and transportation | 5,072,485 | - |
| Governmental services to residents | 486,342 | - |
| Administration | 1,720,649 | - |
| Non-program | 1,204,614 | 378,186 |
| Debt service | 1,621,762 | - |
| Capital projects | 719,714 | - |
| Total disbursements | <u>16,261,141</u> | <u>378,186</u> |
| Excess (deficiency) of receipts over (under) disbursements | 105,520 | (311,734) |
| Other financing sources, net | <u>313,713</u> | <u>301,013</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 419,233 | (10,721) |
| Balance beginning of year | <u>8,726,223</u> | <u>260,669</u> |
| Balance end of year | <u><u>\$ 9,145,456</u></u> | <u><u>249,948</u></u> |

| Net | Budgeted Amounts | | Final to Net Variance |
|------------|------------------|-------------|-----------------------------|
| | Original | Final | |
| 7,741,764 | 7,715,237 | 7,715,237 | 26,527 |
| 53,822 | 37,300 | 37,300 | 16,522 |
| 6,991,040 | 5,817,973 | 6,600,973 | 390,067 |
| 6,120 | 5,000 | 5,000 | 1,120 |
| 478,984 | 451,625 | 451,625 | 27,359 |
| 199,195 | 179,099 | 184,522 | 14,673 |
| 829,284 | 51,650 | 59,650 | 769,634 |
| 16,300,209 | 14,257,884 | 15,054,307 | 1,245,902 |
| 3,586,321 | 3,834,355 | 3,834,355 | 248,034 |
| 246,727 | 222,597 | 293,597 | 46,870 |
| 711,605 | 904,944 | 904,944 | 193,339 |
| 890,922 | 927,360 | 948,783 | 57,861 |
| 5,072,485 | 5,220,705 | 5,220,705 | 148,220 |
| 486,342 | 542,181 | 542,181 | 55,839 |
| 1,720,649 | 1,728,026 | 1,832,991 | 112,342 |
| 826,428 | 104,682 | 839,682 | 13,254 |
| 1,621,762 | 1,053,641 | 1,053,641 | (568,121) |
| 719,714 | 597,300 | 821,178 | 101,464 |
| 15,882,955 | 15,135,791 | 16,292,057 | 409,102 |
| 417,254 | (877,907) | (1,237,750) | 1,655,004 |
| 12,700 | - | - | 12,700 |
| 429,954 | (877,907) | (1,237,750) | 1,667,704 |
| 8,465,554 | 7,915,681 | 7,915,681 | 549,873 |
| 8,895,508 | 7,037,774 | 6,677,931 | 2,217,577 |

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2014

| | Governmental Funds | | |
|------------------------------|--------------------|------------------------|------------------------------|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 16,366,661 | (93,067) | 16,273,594 |
| Expenditures | 16,261,141 | 1,571,921 | 17,833,062 |
| Net | 105,520 | (1,664,988) | (1,559,468) |
| Other financing sources, net | 313,713 | 607,317 | 921,030 |
| Beginning fund balances | 8,726,223 | 578,133 | 9,304,356 |
| Ending fund balances | \$ 9,145,456 | (479,538) | 8,665,918 |

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,156,266. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

Hardin County
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010 | July 1, 2009 | - | \$ 1,097,804 | \$ 1,097,804 | 0.0% | \$ 4,071,595 | 27.0% |
| 2011 | July 1, 2009 | - | 1,097,804 | 1,097,804 | 0.0 | 3,966,060 | 27.7 |
| 2012 | July 1, 2009 | - | 1,097,804 | 1,097,804 | 0.0 | 4,259,583 | 25.8 |
| 2013 | July 1, 2012 | - | 1,206,456 | 1,206,456 | 0.0 | 4,019,439 | 30.0 |
| 2014 | July 1, 2012 | - | 1,206,456 | 1,206,456 | 0.0 | 4,115,109 | 29.0 |

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

| | Resource Enhancement and Protection | Pine Lake Corn Processors TIF | Carbo Tech TIF |
|--|--|--|----------------------|
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 97,186 | 544,901 | 18 |
| Drainage assessments receivable | - | - | - |
| Total assets | \$ 97,186 | 544,901 | 18 |
| Deferred Inflows of Resources and Fund Balances | | | |
| Deferred inflows of Resources: | | | |
| Other revenues | \$ - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Drainage warrants/drainage improvement certificates | - | - | - |
| Other purposes | 97,186 | 544,901 | 18 |
| Total fund balances | 97,186 | 544,901 | 18 |
| Total deferred inflows of resources and fund balances | \$ 97,186 | 544,901 | 18 |

| Special Revenue | | | | |
|----------------------------|------------------------------|---|-----------------------|-----------|
| Garden Wind Farm TIF | State Forfeiture Funds | County Recorder's Records Management | Drainage Districts | Total |
| 275,482 | 1,408 | 63,034 | 236,186 | 1,218,215 |
| - | - | - | 334,625 | 334,625 |
| 275,482 | 1,408 | 63,034 | 570,811 | 1,552,840 |
| - | - | - | 320,863 | 320,863 |
| - | - | - | 249,948 | 249,948 |
| 275,482 | 1,408 | 63,034 | - | 982,029 |
| 275,482 | 1,408 | 63,034 | 249,948 | 1,231,977 |
| 275,482 | 1,408 | 63,034 | 570,811 | 1,552,840 |

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2014

| | Resource Enhancement and Protection | Pine Lake Corn Processors TIF | Carbo Tech TIF |
|--|--|--|----------------------|
| Revenues: | | | |
| Property and other county tax | \$ - | 149,514 | 17,184 |
| Intergovernmental | 15,407 | - | - |
| Charges for service | - | - | - |
| Use of money and property | 328 | - | - |
| Miscellaneous | - | - | - |
| Total revenues | 15,735 | 149,514 | 17,184 |
| Expenditures: | | | |
| Operating: | | | |
| County environment and education | 3,834 | - | - |
| Non-program | - | - | - |
| Debt service | - | 110,803 | 31,060 |
| Total expenditures | 3,834 | 110,803 | 31,060 |
| Excess (deficiency) of revenues over (under) expenditures | 11,901 | 38,711 | (13,876) |
| Other financing sources: | | | |
| Operating transfers in | - | - | 9,800 |
| Drainage warrants/drainage improvement certificates issued | - | - | - |
| Total other financing sources | - | - | 9,800 |
| Change in fund balance | 11,901 | 38,711 | (4,076) |
| Fund balances beginning of year | 85,285 | 506,190 | 4,094 |
| Fund balances end of year | \$ 97,186 | 544,901 | 18 |

| Special Revenue | | | | |
|----------------------------|------------------------------|-------------------------------------|-----------------------|-----------|
| County | | | | |
| Garden Wind Farm TIF | State Forfeiture Funds | Recorder's Records Management | Drainage Districts | Total |
| 290,477 | - | - | - | 457,175 |
| - | - | - | - | 15,407 |
| - | - | 3,374 | - | 3,374 |
| - | - | 213 | - | 541 |
| - | - | - | 66,452 | 66,452 |
| 290,477 | - | 3,587 | 66,452 | 542,949 |
| - | - | - | - | 3,834 |
| - | - | - | 378,186 | 378,186 |
| 85,790 | - | - | - | 227,653 |
| 85,790 | - | - | 378,186 | 609,673 |
| 204,687 | - | 3,587 | (311,734) | (66,724) |
| - | - | - | - | 9,800 |
| - | - | - | 301,013 | 301,013 |
| - | - | - | 301,013 | 310,813 |
| 204,687 | - | 3,587 | (10,721) | 244,089 |
| 70,795 | 1,408 | 59,447 | 260,669 | 987,888 |
| 275,482 | 1,408 | 63,034 | 249,948 | 1,231,977 |

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|--|-------------------|--|--------------------|-------------------|
| Assets | | | | |
| Cash, cash equivalents and pooled investments: | | | | |
| County Treasurer | \$ - | 2,525 | 90,846 | 135,230 |
| Other County officials | 153,589 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 1,034 | 796 | 47,724 |
| Succeeding year | - | 219,000 | 168,615 | 10,980,647 |
| Accounts | 1,013 | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 154,602 | 222,559 | 260,257 | 11,163,601 |
| Liabilities | | | | |
| Accounts payable | \$ - | - | 1,113 | - |
| Due to other governments | 12,951 | 222,559 | 244,540 | 11,163,601 |
| Trusts payable | 141,651 | - | - | - |
| Compensated absences | - | - | 14,604 | - |
| Total liabilities | \$ 154,602 | 222,559 | 260,257 | 11,163,601 |

| Community Colleges | Corporations | Townships | Brucellosis and Tuberculosis Eradication | City Special Assessments | Auto License and Use Tax | Local Emergency Management Services |
|-----------------------|--------------|-----------|--|--------------------------------|-----------------------------------|--|
| 18,059 | 86,706 | 4,291 | 32 | 4,271 | 420,660 | 136,562 |
| - | - | - | - | - | - | - |
| 6,582 | 41,151 | 1,656 | 12 | - | - | - |
| 1,457,673 | 5,366,890 | 402,573 | 2,609 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 20,525 |
| 1,482,314 | 5,494,747 | 408,520 | 2,653 | 4,271 | 420,660 | 157,087 |
| - | - | - | - | - | - | 525 |
| 1,482,314 | 5,494,747 | 408,520 | 2,653 | 4,271 | 420,660 | 154,638 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,924 |
| 1,482,314 | 5,494,747 | 408,520 | 2,653 | 4,271 | 420,660 | 157,087 |

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2014

| | E911 Surcharge | Drainage Districts | Third Party Payees | Other | Total |
|--|-------------------|-----------------------|--------------------------|---------------|-------------------|
| Assets | | | | | |
| Cash, cash equivalents and pooled investments: | | | | | |
| County Treasurer | \$ 481,627 | 20,628 | 3,519 | 46,956 | 1,451,912 |
| Other County officials | - | - | - | - | 153,589 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | - | - | - | 98,955 |
| Succeeding year | - | - | - | - | 18,598,007 |
| Accounts | 19,644 | - | - | - | 20,657 |
| Due from other governments | 24,658 | - | - | - | 45,183 |
| Total assets | \$ 525,929 | 20,628 | 3,519 | 46,956 | 20,368,303 |
| Liabilities | | | | | |
| Accounts payable | \$ 5,659 | - | - | - | 7,297 |
| Due to other governments | 520,270 | 20,628 | - | 41,196 | 20,193,548 |
| Trusts payable | - | - | 3,519 | 5,760 | 150,930 |
| Compensated absences | - | - | - | - | 16,528 |
| Total liabilities | \$ 525,929 | 20,628 | 3,519 | 46,956 | 20,368,303 |

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|------------------------------------|-------------------|--|--------------------|------------|-----------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 152,331 | 216,755 | 274,883 | 11,592,495 | 1,551,202 |
| Additions: | | | | | |
| Property and other county tax | - | 209,032 | 161,415 | 10,449,545 | 1,403,494 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | 10,526 | 7,655 | 566,264 | 74,340 |
| Grants | - | - | - | - | - |
| Interest | 10 | - | - | - | - |
| Office fees and collections | 1,677,379 | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Drivers license fees | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 437,991 | - | - | - | - |
| Miscellaneous | - | - | 14 | - | - |
| Total additions | 2,115,380 | 219,558 | 169,084 | 11,015,809 | 1,477,834 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 1,477,727 | - | - | - | - |
| To other governments | 161,251 | 213,754 | 183,710 | 11,444,703 | 1,546,722 |
| Trusts paid out | 474,131 | - | - | - | - |
| Total deductions | 2,113,109 | 213,754 | 183,710 | 11,444,703 | 1,546,722 |
| Balances end of year | \$ 154,602 | 222,559 | 260,257 | 11,163,601 | 1,482,314 |

| Corporations | Townships | Brucellosis and Tuberculosis Eradication | City Special Assessments | Auto License and Use Tax | Drivers License | Local Emergency Management Services |
|--------------|-----------|--|--------------------------------|-----------------------------------|--------------------|--|
| 5,319,138 | 421,489 | 2,767 | 5,239 | 443,299 | - | 110,699 |
| 6,525,788 | 384,671 | 2,464 | - | - | - | - |
| - | - | - | - | - | - | - |
| 346,496 | 18,460 | 145 | - | - | - | - |
| - | - | - | - | - | - | 46,533 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 5,805,359 | - | - |
| - | - | - | - | - | 101,016 | - |
| - | - | - | 46,104 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 83,859 |
| 6,872,284 | 403,131 | 2,609 | 46,104 | 5,805,359 | 101,016 | 130,392 |
| - | - | - | - | 181,986 | 35,847 | - |
| 6,696,675 | 416,100 | 2,723 | 47,072 | 5,646,012 | 65,169 | 84,004 |
| - | - | - | - | - | - | - |
| 6,696,675 | 416,100 | 2,723 | 47,072 | 5,827,998 | 101,016 | 84,004 |
| 5,494,747 | 408,520 | 2,653 | 4,271 | 420,660 | - | 157,087 |

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year ended June 30, 2014

| | Drainage Districts | E911 Surcharge | Tax Sale Redemption Non-County | Third Party Payees |
|------------------------------------|-----------------------|-------------------|--------------------------------------|--------------------------|
| Assets and Liabilities | | | | |
| Balances beginning of year | \$ 22,256 | 420,805 | - | 4,045 |
| Additions: | | | | |
| Property and other county tax | - | - | - | - |
| E911 surcharge | - | 183,051 | - | - |
| State tax credits | - | - | - | - |
| Grants | - | - | - | - |
| Interest | - | 1,526 | - | - |
| Office fees and collections | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Drivers license fees | - | - | - | - |
| Assessments | 8,211 | - | - | - |
| Trusts | - | - | 249,087 | 72,274 |
| Miscellaneous | - | - | - | - |
| Total additions | 8,211 | 184,577 | 249,087 | 72,274 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | - | - | - |
| To other governments | 9,839 | 79,453 | 249,087 | - |
| Trusts paid out | - | - | - | 72,800 |
| Total deductions | 9,839 | 79,453 | 249,087 | 72,800 |
| Balances end of year | \$ 20,628 | 525,929 | - | 3,519 |

| Other | Total |
|--------|------------|
| 44,031 | 20,581,434 |

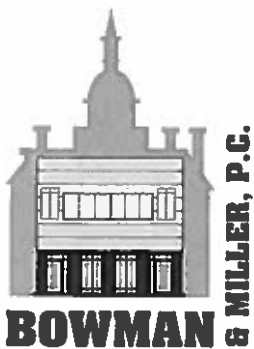
| | |
|---------|------------|
| - | 19,136,409 |
| - | 183,051 |
| - | 1,023,886 |
| - | 46,533 |
| - | 1,536 |
| - | 1,677,379 |
| - | 5,805,359 |
| - | 101,016 |
| - | 54,315 |
| 405,419 | 1,164,771 |
| 3,374 | 87,247 |
| 408,793 | 29,281,502 |

| | |
|---------|------------|
| - | 1,695,560 |
| 405,868 | 27,252,142 |
| - | 546,931 |
| 405,868 | 29,494,633 |
| 46,956 | 20,368,303 |

Hardin County
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Ten Years

| | | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|-----------|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | |
| Property and other county tax | \$ | 7,067,670 | 6,512,506 | 6,426,282 | 6,438,937 |
| Local option sales tax | | 677,656 | 638,592 | 630,507 | 718,785 |
| Interest and penalty on property tax | | 49,496 | 50,735 | 54,121 | 54,368 |
| Intergovernmental | | 6,897,612 | 6,225,000 | 7,683,304 | 7,503,886 |
| Licenses and permits | | 5,830 | 4,825 | 26,282 | 12,712 |
| Charges for service | | 478,639 | 473,821 | 494,711 | 480,505 |
| Use of money and property | | 201,140 | 159,932 | 198,546 | 202,184 |
| Miscellaneous | | 895,551 | 1,011,847 | 344,474 | 556,342 |
| Total | \$ | 16,273,594 | 15,077,258 | 15,858,227 | 15,967,719 |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | \$ | 3,556,270 | 3,602,978 | 3,518,509 | 3,423,543 |
| Physical health and social services | | 274,436 | 161,997 | 207,052 | 211,600 |
| Mental health | | 709,436 | 749,434 | 2,088,962 | 1,747,233 |
| County environment and education | | 889,088 | 953,821 | 786,887 | 929,516 |
| Roads and transportation | | 5,913,588 | 5,476,613 | 4,548,742 | 5,606,480 |
| Governmental services to residents | | 514,345 | 490,320 | 457,137 | 409,986 |
| Administration | | 1,702,132 | 1,802,277 | 1,702,756 | 1,469,657 |
| Non-program | | 1,920,904 | 943,263 | 1,887,148 | 1,338,296 |
| Debt service | | 1,621,762 | 21,265,774 | 934,820 | 803,307 |
| Capital projects | | 731,101 | 3,647,205 | 2,269,922 | 1,548,898 |
| Total | \$ | 17,833,062 | 39,093,682 | 18,401,935 | 17,488,516 |

| Modified Accrual Basis | | | | | |
|------------------------|------------|------------|------------|------------|------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| 5,983,894 | 5,850,891 | 5,447,040 | 5,112,964 | 4,577,109 | 3,980,093 |
| 645,776 | 693,063 | 635,029 | 698,188 | 633,861 | 492,430 |
| 89,748 | 47,507 | 42,934 | 39,494 | 38,510 | 38,758 |
| 8,039,328 | 7,643,605 | 6,494,968 | 6,744,867 | 6,900,497 | 5,625,385 |
| 27,286 | 13,592 | 18,901 | 10,340 | 8,167 | 7,212 |
| 419,077 | 457,559 | 468,832 | 454,697 | 487,803 | 424,210 |
| 210,894 | 252,293 | 347,759 | 364,731 | 245,267 | 153,148 |
| 543,793 | 165,696 | 204,634 | 142,023 | 191,215 | 160,412 |
| 15,959,796 | 15,124,206 | 13,660,097 | 13,567,304 | 13,082,429 | 10,881,648 |
| 3,378,278 | 3,220,284 | 3,044,804 | 3,032,813 | 2,885,183 | 2,613,136 |
| 264,083 | 300,989 | 261,448 | 285,423 | 285,407 | 287,207 |
| 1,754,696 | 1,932,986 | 2,003,263 | 1,875,028 | 1,804,829 | 1,726,207 |
| 874,483 | 987,371 | 805,515 | 802,147 | 1,341,057 | 656,683 |
| 4,949,674 | 5,135,149 | 4,105,451 | 4,032,563 | 4,666,208 | 4,526,263 |
| 441,706 | 421,998 | 424,006 | 370,894 | 382,062 | 308,862 |
| 1,865,299 | 1,439,782 | 1,359,171 | 1,403,430 | 1,201,490 | 1,079,749 |
| 220,027 | 134,945 | 63,070 | 78,542 | 201,437 | 226,005 |
| 2,027,239 | 623,320 | 597,781 | 585,589 | 521,988 | 430,939 |
| 1,583,856 | 201,587 | 422,541 | 599,160 | 137,082 | 57,300 |
| 17,359,341 | 14,398,411 | 13,087,050 | 13,065,589 | 13,426,743 | 11,912,351 |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Hardin County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged by governance. We noted no items that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hardin County's Responses to Findings

Hardin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hardin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

December 31, 2014

Hardin County
Schedule of Findings
Year ended June 30, 2014

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County
Schedule of Findings
Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | <u>Applicable Offices</u> |
|--|-------------------------------|
| (1) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. | Recorder |
| (2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. | Recorder |
| (3) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts. | Recorder |

Recommendation - We realize that segregation of duties is difficult. However, the Recorder should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The Recorder should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Hardin County is the only county of its size to have only one full-time position in addition to the County Recorder. Since 2008, the County Recorder has asked for additional monies in the budget to fund a third full-time position. In my opinion it is the only solution for the segregation of duties issue.

Conclusion – The County Recorder should continue to review the operating procedures to obtain maximum control possible.

Hardin County
Schedule of Findings
Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was exceeded in the debt service function due to the issuance of the general obligation bonds for the construction of the new hospital. We were unaware the activity for those bonds needed to be included in the County's budget.

Conclusion – Response accepted.

III-B-14 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-14 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|---|------------------|
| Jody Mesch, maintenance director of the County, owner of J&C Enterprises | Cleaning services for the courthouse | \$ <u>30,000</u> |

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

III-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-14 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Hardin County
Schedule of Findings
Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

Hardin County Audit Staff

This audit was performed by:

**Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa**

Personnel:

**Elizabeth A. Miller, CPA, Principal
Nathan Minkel, CPA, Principal
Taylor Johnson, Staff
Diana Swanson, Staff**